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USWEST

Elridge A. Stafford
Executive Director-
Federal Regulatory

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FILED

APR 11 1996

April 11, 1996

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Mail Stop 1170
Washington, D.C. 20554

RE: WT Docket 96-59, GN Docket 90-314/Broadband PCS
Competitive Bidding Rules

Dear Mr. Caton:

Please be advised that Corey Ford, Vice President Business Development and External Affairs, U S WEST Communications Wireless Group, Kathy Zachem, Counsel for U S WEST and the undersigned met today with Rosalind Allen, Mark Bollinger, Wendy Chow, Sue McNeil, David Nall, Kathleen Ham-O'Brien, John Spencer and Amy Zoslov of the Wireless Telecommunications Bureau. The purpose of this meeting was to discuss U S WEST's views in the above mentioned proceeding. The attached material summarizes points that were discussed.

In accordance with Section 1.1206(a)(2) of the Commission's rules, the original and one copy of this letter, with attachment, are being filed with your office. Acknowledgment and date of receipt of this letter are requested. A duplicate copy of this letter is included for this purpose.

Please contact me should you have any questions concerning this matter.

Sincerely,

Elridge A. Stafford

Attachment

cc: Rosalind Allen
Mark Bollinger
Wendy Chow
Sue McNeil

David Nall
Kathleen Ham-O'Brien
John Spencer
Amy Zoslov

Business
Development

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U S WEST

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Lessons from the A/B and C Block Auctions

- The A/B auction established a national market value of \$4 billion for 30 MHz of spectrum.
- A concern about auctions was that small businesses could not compete with large firms.
 - The response was to create a set aside (the C and F blocks) and offer credits and installment payments for those blocks.
- Lessons from the C block auction:
 - Many firms, including speculators, could raise enough capital at least to cover their first 5% down.
 - Preferences were bid through.
 - C block is approaching \$10 billion net (2.5 times the value established for 30 MHz in the A/B auction).

Installment Payments and Bidding Credits

- Bidders value installment payments and hence bid based on the combined value of the loan and the license.
- The more favorable the installment payments terms, the more the bidders will value the installment payments and the higher the bidding will be.
- Entities that have a higher cost of capital will value the benefits of the installment payments more than other bidders who may value the license more.
- Installment payments favor those who are less likely to have the financial capability to build and operate a system.

F Block Preferences Should Not Be Extended to D/E Block

- Mixing the types of bidders (preferenced bidders and non-preferenced bidders) confounds the information dissemination process that is part of the auction, resulting in misleading signals about license values.
- Preferences, selectively applied, can effectively exclude those without bidding preferences.
- The D/E block auction should result in licenses being assigned to those who value the license the most, not those who value the combination of the loan and the license.

Timing of D/E and F Block Auctions

- USWC urges the FCC to begin the auctions in July 1996.
- USWC supports an auction schedule similar to the one followed in the DBS auction.
- Services provided by auction winners will be critical to consumer choice and a competitive environment.
- Auctions should be structured so that either D/E block or F block auction can proceed independently if challenges force the delay of either auction.